

EXHIBIT C



ISRAEL MINISTRY OF FOREIGN AFFAIRS

Address by FM Livni to the Paris Donors Conference

17 Dec 2007

To restore faith in the peace process we must not only build the foundations for the future, we must improve the economic and security reality in the present.



FM Livni with participants at the Paris Donors Conference
(Photo: Guillaume Bureau)

Address by Vice Prime Minister and Minister of Foreign Affairs Tzipi Livni to the Paris Donors Conference

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His Excellency the President of France Nicholas Sarkozy, Foreign Minister Kouchner, President Abbas and Prime Minister Fayyad, distinguished co-chairs, colleagues, ladies and gentlemen,

Just a few weeks ago, in Annapolis, Maryland, with the initiative of President Bush and Secretary Rice, the Israeli-Palestinian peace process was re-launched and today we meet to re-energize efforts to advance the Palestinian reform agenda. Today's meeting is testament to the support for the bilateral process and to the understanding of the need to create the foundations for the future Palestinian State that will live side by side with Israel in peace and security.

Those gathered here share a common vision of a peaceful future. But, at the same time, we understand that to restore faith in the peace process we must not only build the foundations for the future, we must improve the economic and security reality in the present.

I am here because the establishment of a peaceful and prosperous Palestinian state that respects law and order and fulfills the legitimate national aspirations of its people is not just a Palestinian dream - it is also an Israeli interest. But I also know that the road before us will not be easy.

On the political front, we have launched negotiations in order to bridge the gaps between us and reach a peace agreement. I believe that there are those on the Palestinian side and in the Arab world that understand, like Israel, both the importance of the hour and the imperative of compromise. This is the obligation of the two parties alone. As Israelis and Palestinians, we must share ownership of this process and share responsibility for its resolution.

As the head of the Israeli negotiating team I enter the room with a sense of great

responsibility and with deep faith to reach an agreement, and we are determined to do so.

But there is another gap whose closure is no less important, and for which your help is critical. It is the gap between the vision and reality. No dialogue or understanding about the future can take hold, unless it is matched by real changes on the ground. Elaborating a common vision of a peaceful future, and changing reality so that we can reach that future, are mutually reinforcing.

This is the principle that lies at the heart of the Annapolis understandings and it is the principle that should guide this gathering. Its adoption was not self-evident.

Under the Roadmap, fundamental reform and the renunciation of terror are a precondition for political dialogue. And the logic of this principle remains valid. But we have agreed with our Palestinian partners that our peoples deserve a more concrete vision of peace, while understanding that true peace can never be achieved unless we create the conditions on the ground for it to take root. On this basis, we have chosen to launch peace negotiations even at this stage - provided that implementation of the future peace agreement will be subject to the changes that the Roadmap requires.

Our decision to launch this dual process, of negotiation alongside Roadmap implementation, offers new hope for peace, but we must acknowledge that it also involves potential complications. It may seem easier to negotiate a peace treaty when the difficulties we face on the ground are behind us. Changing the reality on the ground takes more than a political decision. It requires constant effort in the face of daily difficulties, and it can lead to frustration on both sides. The temptation to engage in mutual accusations or to find reasons for halting our dialogue will appear, at times, difficult to resist. But ultimately it is self-defeating.

Together, we must find the courage to rise above this - and together we must convince our peoples of the promise of peace and the need to confront its challenges.

This does not mean, of course, that we can ignore the obstacles before us. We must address them, but we cannot be held hostage by them. The situation created by Hamas's takeover of Gaza which brings daily terror to Israeli families and daily hardship to Palestinians, while Gilad Shalit remains captive, weighs heavily on us. Lawlessness, incitement, weapons smuggling and terror have not ended.

All of this could be an excuse for inaction. But while the obstacles posed by present reality may be great, our joint determination not to surrender to that reality must be greater. It is in this context that today's meeting is of such importance. It is in this spirit also that we welcome the Palestinian reform plan as a serious effort to build the basis for a responsible Palestinian state that the Palestinian people so deserve and that peace so needs.

This is neither the time nor the forum to address the plan in detail, or to refer to those political and other elements that are subject to direct Israeli-Palestinian discussions. I hope and believe that, with your assistance, these efforts can help produce effective, transparent and accountable Palestinian governance, security forces that fight terrorism comprehensively, bring law and order and ensure the principle of "one authority, one gun," and educational institutions that end incitement and prepare the next generation for co-existence and economic progress. I hope also that, while ensuring the humanitarian welfare, we can work to rid Gaza of terror, and restore it to the control of the legitimate Palestinian government so that reform and economic development can be possible there as well.

We all have a responsibility to help bring these changes about, Israel included. And, despite the difficulties, we are ready to do so and are committed to meet our Roadmap

obligations, including in relation to the settlement activities. Waiting on the sidelines, hoping for change to come, is not an option for an Israeli leader. We must act to bring change, together with our Palestinian colleagues. We welcome the renewed efforts, determination and leadership of President Abbas and Prime Minister Fayyad in this crucial endeavor.

The states and institutions gathered here also have a vital role to play. Your assistance is greatly needed, as is your insistence on mechanisms that ensure that all economic support is properly used, so that the mistakes of the past are not repeated.

To my Arab colleagues I would like to say that your attendance at Annapolis was of critical importance, but your attendance here is perhaps even more so.

Palestinians and Israelis, and their leaders, need to know that they are not alone in the risks they take or the challenges they work to overcome. The region as a whole must be with them, taking practical measures to progress together with them - step by step - towards a genuine and lasting peace. Israel needs and wants a prosperous and peaceful neighbor and we will act in cooperation with the Palestinian government to achieve these goals. In this spirit we are committed to continuing the regular transfer of tax and customs revenues collected on behalf of the PA to a Palestinian government committed to the three Quartet principles.

We have agreed with the Palestinian Authority to renew the dialogue in the Joint Economic Committee (JEC), which represents the most high-level bilateral forum for addressing economic issues. And I am pleased to announce that agreement has been reached, in principle, on the terms of reference for the EUCOPPS mission to help train and prepare the Palestinian police force, and we hope to sign an agreement on this issue in the coming days.

These steps supplement other measures that Israel has taken to assist in Palestinian development, including:

- Ongoing co-operation with Quartet's special envoy Tony Blair, especially in relation to quick impact projects and other capacity building initiatives;
- Enhancing the working relationship with the Palestinian government at all levels including welfare, health, agriculture and tourism;
- Boosting cooperation between the business sectors of both parties and the wider region; and
- Training Palestinian customs officials, accountants, pension fund directors, doctors, nurses, teachers and farmers for work in a functioning state.

These measures are just the beginning, and there is much more that Israel needs to do. Our status in this forum is a special one. We are not here as a donor state, but our influence on this process is clear, as is the dramatic influence of this process on us - for better or for worse. For us, this is about day-to-day actions. For us, the words access and movement must be translated to practice. Each day we must examine how best to advance peace and security and, at the end, it comes down to the details, checkpoint by checkpoint, step by step for a better future.

I have said before that for peace to succeed Israeli security must be a Palestinian interest, just as a Palestinian state is an Israeli interest. I believe that President Abbas and Prime Minister Fayyad are our partners in this understanding, and today, we need you - the members of the international community - to share it too. We need you to know that Palestinian welfare and Israeli security are not competing interests they are interconnected ones.

Israel is committed to the building of a viable Palestinian state. We want the obstacles to

Palestinian economy and daily life to be removed. We have no desire to control Palestinian lives. We do not want the image of Israel in the Palestinian mind to be a soldier at a checkpoint. But we know that making every effort to improve quality of life, also means making every effort to end the threat to life posed by terror and violence.

To end this conflict, the era of zero-sum logic must also end. Economic advancement and personal security must be advanced together. Each are deserving of your passion and your commitment. And I believe that, with your help, we can build on the success of Annapolis and today's donor's meeting, to make the fulfillment of both a reality.

Thank you.